Unit economics (2)

FINANCIAL MODELING

LECTURE SUMMARY

Covered in this lecture:

More costs involved

- In order for your model to be realistic, you have to account for two more things when you calculate the cost per cup: waste and contingency

- **Waste is any of the product that you lose without recouping any payment for**

  - In food & beverage, you inevitable lose a certain amount of your product because you can't store it forever if it's not sold

- **Contingency means anything that can go wrong and will require an extra cost that is impossible to predict**

  - It's best to plan for the worst

	Size	Cost	Cost/unit or cost/oz	Cost/cup
Ice	10lb	$ 4.00	$ 0.0250	$ 0.1000
Water	5gal	$ 0.25	$ 0.0004	$ 0.0016
Sugar	5lb	$ 2.50	$ 0.0313	$ 0.1250
Lemon Juice	1	$ 0.15	$ 0.0857	$ 0.3429
Lemon Garnish	1	$ 0.15	$ 0.0188	$ 0.0188
Cups	500	$ 79.00	$ 0.1580	$ 0.1580
Napkins	500	$ 25.00	$ 0.0500	$ 0.0500
Straws	500	$ 7.00	$ 0.0140	$ 0.0140
			Subtotal	**$ 0.81**
10% Waste Padding				**$ 0.08**
Final Costs/Cup				**$ 0.89**

See you next lecture!